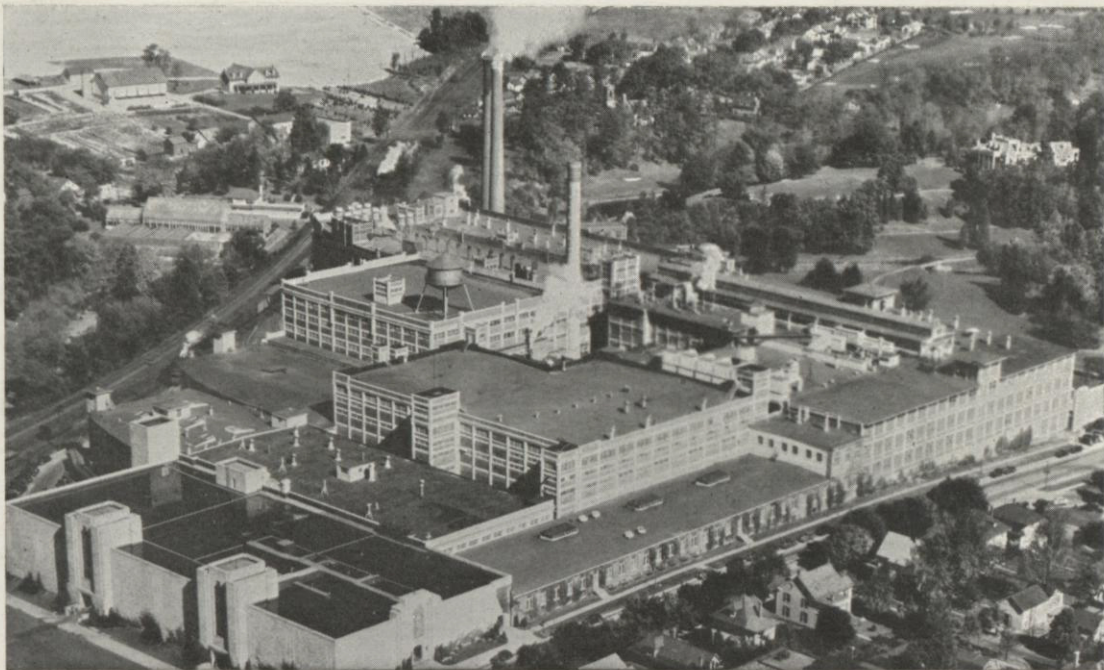


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ANNUAL REPORT

DECEMBER 31, 1944



Home of Hershey's Products

HERSHEY CHOCOLATE CORPORATION
AND SUBSIDIARY COMPANY

HERSHEY, PENNA.

HERSHEY CHOCOLATE CORPORATION

AND SUBSIDIARY COMPANY

EXECUTIVE OFFICES, HERSHEY, PA.

OFFICERS

M. S. HERSHEY	Chairman of the Board
W. F. R. MURRIE	- - - - President
E. F. HERSHEY	- - - - Treasurer
W. S. CROUSE	- - - - Secretary
O. E. BORDNER	- - - - Comptroller

DIRECTORS

M. S. HERSHEY	- - - - Hershey, Pa.
W. F. R. MURRIE	- - - - Hershey, Pa.
E. F. HERSHEY	- - - - Hershey, Pa.
L. W. MAJER	- - - - Hershey, Pa.
P. A. STAPLES	- - - - Central Hershey, Cuba
W. S. CROUSE	- - - - Hershey, Pa.
O. E. BORDNER	- - - - Hershey, Pa.

TRANSFER AGENT

CITY BANK FARMERS TRUST CO.

REGISTRAR

GUARANTY TRUST COMPANY OF NEW YORK

AUDITORS

ARTHUR ANDERSEN & CO., NEW YORK, N. Y.

HERSHEY CHOCOLATE

AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash		\$ 8,109,132.94
U. S. Government securities, (including accrued interest thereon)		4,207,114.61
Accounts receivable	\$ 3,131,336.58	
Less - Reserve for bad debts and discounts	84,709.94	3,046,626.64
Raw materials, goods in process and finished goods, at the lower of average cost or market		16,293,031.21
Total current assets		\$31,655,905.40

MISCELLANEOUS ASSETS AND DEFERRED ITEMS:

Post-war refund of excess profits tax	\$ 1,305,194.99	
Supplies and repair parts	525,468.77	
Prepaid shipping expenses, insurance, salesmen's advances, etc. ...	131,387.15	1,962,050.91

PLANT AND PROPERTY:

<u>Particulars</u>	<u>Cost</u>	<u>Reserves for Depreciation</u>	<u>Net</u>
Land	\$ 114,825.15	\$ -	\$ 114,825.15
Buildings and improvements	9,070,008.76	4,576,680.42	4,493,328.34
Machinery, equipment and fixtures	13,599,654.44	10,094,743.91	3,504,910.53
	<u>\$22,784,488.35</u>	<u>\$14,671,424.33</u>	<u>\$ 8,113,064.02</u>
Construction in progress			32,943.12
			<u>8,146,007.14</u>
			<u>\$41,763,963.45</u>

NOTE: The convertible preference stock is entitled to cumulative dividends at the rate of \$4.00 per share per annum. Upon any distribution of capital assets, the convertible preference stock is entitled to receive \$50.00 per share (of treasury shares, at December 31, 1944 or \$12,438,356.00 in excess of the stated value of such shares) and accretion of common stock in any distribution of the balance until the convertible preference stock shall have received a total of \$50.00 per share. In their opinion, there are no restrictions upon the surplus of the Company by reason of the excess of the preferred value of such shares. The surplus accounts, however, are restricted to the extent of the cost of the treasury stock.

STATE CORPORATION

RY COMPANY

STATEMENT - - DECEMBER 31, 1944

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 3,442,897.80
Dividends payable February 15, 1945 on convertible preference and common stock	1,021,999.75
Reserve for Federal and state taxes (subject to review by taxing authorities)	10,058,578.44
Total current liabilities	<u>\$14,523,475.99</u>

CAPITAL STOCK AND SURPLUS (Note):

Convertible preference stock (without par value) - Authorized and issued, 350,000 shares of which 78,649 shares have been converted into common stock Issued and outstanding, 271,351 shares (including 17,507 shares held in treasury) at stated value	\$ 271,351.00		
Common stock (without par value) - Authorized, 1,000,000 shares of which 271,351 shares are re- served for conversion of convertible preference stock Issued and outstanding, 728,649 shares (including 42,900 shares held in treasury) at stated value	728,649.00		
	<u>\$ 1,000,000.00</u>		
Surplus at organization	3,297,212.48		
Earned surplus	26,738,722.67		
	<u>\$31,035,935.15</u>		
Deduct - Treasury stock, at cost - Convertible preference stock -- 17,507 shares \$ 1,287,635.19 Common stock	2,507,812.50	3,795,447.69	27,240,487.46
			<u>\$41,763,963.45</u>

, plus an extra dividend of \$1.00 per share in any year in which dividends are declared (or paid) on the common stock, amounting in the aggregate to \$12,692,200.00 on the basis of the convertible preference shares outstanding, exclusive of accumulated and unpaid dividends (if any) before any distribution to the common stock, and shares equally with the total of \$100.00 per share and accumulated and unpaid dividends (if any). Counsel for the Company have advised that, in the absence of the convertible preference shares in any distribution of the capital assets of the Company over the stated stock.

HERSHEY CHOCOLATE CORPORATION
AND SUBSIDIARY COMPANY
SUMMARY OF CONSOLIDATED PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 1944

Particulars	Amount
GROSS PROFIT ON SALES	\$20,979,984.66
SHIPPING, SELLING, ADMINISTRATIVE AND GENERAL EXPENSES	7,399,235.57
Net profit from operations	\$13,580,749.09
OTHER INCOME:	
Profit from scrap and creamery products, adjustments of prior years' state taxes, discounts and miscellaneous income, less income deductions (\$43,817.69)	981,564.24
Net profit before provision for income taxes	\$14,562,313.33
PROVISION FOR INCOME TAXES:	
Commonwealth of Pennsylvania income tax	\$ 369,751.22
Federal normal and surtax	2,814,919.66
Federal excess profits tax (less post-war refund of \$662,731.52)	5,964,583.64
	9,149,254.52
Net profit carried to earned surplus	<u>\$ 5,413,058.81</u>

NOTES:

- (1) The net charge of \$28,500 resulting from the renegotiation settlement for the year 1943 has been included in other income deductions above. With respect to renegotiation for 1944, the Company believes that the amount recapturable, if any, will not be sufficiently material to require a provision therefor in the 1944 accounts.
- (2) Costs and expenses include provision for depreciation of plant and equipment in the amount of \$756,401.91.

SUMMARY OF CONSOLIDATED EARNED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1944

Earned surplus at December 31, 1943	\$24,652,130.86
Net profit for the year ended December 31, 1944	5,413,058.81
	\$30,065,189.67
Dividends:	
Convertible preference stock (\$5.00 per share)	\$ 1,269,220.00
Common stock (\$3.00 per share)	2,057,247.00
	3,326,467.00
Earned surplus at December 31, 1944	<u>\$26,738,722.67</u>

ARTHUR ANDERSEN & Co.
67 WALL STREET, NEW YORK

To the Board of Directors.

Hershey Chocolate Corporation:

We have examined the consolidated balance sheet of Hershey Chocolate Corporation (a Delaware corporation) and subsidiary company as of December 31, 1944, and the summaries of consolidated profit and loss and earned surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We were unable to obtain confirmation of certain receivables from United States Government departments and agencies, but we satisfied ourselves as to such receivables by means of other auditing procedures.

In our opinion, the accompanying balance sheet and related summaries of profit and loss and earned surplus present fairly the position of Hershey Chocolate Corporation and subsidiary company at December 31, 1944 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y., February 21, 1945.

ARTHUR ANDERSEN & CO.

Chocolate
is Vital to our
ARMED FORCES



*...limited
quantity for you*



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Our Stockholders, as individuals, can greatly advance the Company's interest and their own, by using **HERSHEY'S** Products in their homes and recommending them to others.